

## BC Ferries '101'

**Aim:** provide background information regarding:

- BC Ferry Services Inc. and the Coastal Ferry Act
- Governance: the relationship between BC Ferries and the Province (MOTI), including the Coastal Ferry Service Contract
- the office of the BC Ferry Commission
- how fares are set and how price cap increases are established
- the role of Ferry Advisory Committees

### **1. General Overview**

- in 2003, the provincial government passed the *Coastal Ferry Act* (CFA)
  - o changed BC Ferries from a statute-enabled Crown Corporation to an independent privately managed company under the *BC Business Corporations Act*
  - o Established the BC Ferry Commissioner as an independent commercial regulator
  - o Enabled the Government to enter into the Coastal Ferries Services Contract (CFSC) with BC Ferries as a vehicle to implement Government transportation policy around service levels and fares
  - o Allows cross subsidization between routes (as of May 2012; Bill 47)
- The purpose of the new structure was to separate the operation of the company from the establishment of ferry policy; that is, to ensure government has the full ability to establish policy but not to politically interfere in the day-to-day operation of the company

### **2. Coastal Ferry Service Contract (CFSC)**

- establishes all terms and conditions for coastal ferry services for the routes operated by BCF. It is a 60-year contract, divided into four-year Performance Terms (PT). Current: PT4, began April 1, 2016 and expires March 31, 2020.
  - o service levels provide minimum requirements for the number of sailings, vessel capacity and hours of service for all routes.
  - o service fees are provided by the Province in order to cover some of the costs of meeting service levels, thus 'buying down' fares otherwise established by the Commissioner.
  - o all routes serviced by BC Ferries are treated as one Route Group, which 'share capital costs' (refits, new vessels, terminal projects) and cost savings (eg. Savings from technology changes, etc).
  - o Province determines social policy (seniors' discounts, sports teams, medical programs, etc) and funds these policies accordingly.

### **3. BC Ferry Commission**

- two-person office: Gord Macatee and Sheldon Stoilen
- independent regulator of fare caps, based on their independent review of BCF costs of operation (net of ancillary revenues) and capital costs necessary to provide the service levels specified in the CFSC, and taking service fees into account. The Commissioners typically acquire independent consulting assistance to assist them in dealing with these issues.
- Bill 47 (May 2012) expanded authorities to include:
  - o Ability to permanently reduced service as consistent with the CFSC,
  - o Ability to order a temporary or permanent service reduction and/or deferral of a capital expenditure in response to an extraordinary situation,
  - o Ability to require BCF seek approval in advance of certain capital expenditures,
  - o Ability to establish the deferred fuel cost accounts and terms for use (incl. surcharges and rebates); and
  - o Ability to conduct routine performance reviews and to require BCF to review their policies and undertake public consultation.

### **4. Fares**

- BCF costs largely fixed (fuel, labour and capital are largest costs)
- Three main revenue sources: fares, ancillary revenues, and service fees
  - o Most minor routes present very little opportunity to generate ancillary revenues
- Price caps (limiting the average fare increase) set by Commissioner for each PT. *NOTE: Maximum allowable fare increases of 1.9% (approximately equal to the rate of inflation) are in effect for PT4.*

### **5. Ferry Advisory Committees**

- These are the primary public consultation vehicle for BCF; meeting formally in meetings open to the public twice yearly.
- This process was formed in 1993, operates in four-year terms that coincide with municipal election cycle, and each FAC member should only serve two terms.
- 13 FACs to discuss 24 routes.
- BCF appoints all members, based on volunteers and nominations from local governments and First Nations.
- One, common Terms of Reference for all FACs.
- Members main role seen as liaison between BCF and communities; relaying BCF info to the community and providing BCF advice and insight into the concerns and opinions of people in those communities.